



Committed to the future of rural communities

Intermediary Relending Program Update

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2006 APPLICATION DEADLINES

If you anticipate needing additional capital for your loan fund, the remaining application deadlines for 2006 are **March 31 and June 30**. Please feel free to contact your RD Loan Specialist for guidance if you are interested in filing an application. The application process for existing borrowers is very simplified if you plan to utilize your existing relending/work plan.

MARCH TRAINING - MARK YOUR CALENDAR

We are planning the training days scheduled for March 14 (Berlin, VT) and March 16 (Wolfeboro, NH). All staff involved with your IRP loan program should attend. Board and Loan Committee members are also welcome. One topic will be an extensive review of the quarterly/semi-annual report form. This form has recently changed and we will be reviewing its completion. Review and approval of annual operating budgets will also be covered. It is critical that Intermediary staff involved with these processes attend

the training. Also, it's not too late to make recommendations for agenda items.

NCIC PARTNER OF THE YEAR

We were pleased to announce on December 21 that Northern Community Investment Corporation (NCIC) was named the USDA Rural Development 2005 Partner of the Year for *both VT and NH*.



Although NCIC has been active in several RD loan and grant programs, their primary involvement has been as an IRP borrower since 1980! Since that time they have received \$6.6 million. Those dollars have revolved many times and resulted in 228 loans totalling \$21 million! Their IRP lending program has impacted 2,716 jobs and leveraged an additional \$105 million. We are proud to count NCIC as a borrower and more importantly, a community and economic development partner, in the northern VT and NH counties they serve.

NEW FUNDS FOR VCLF AND VSBDC

Applications selected for funding in the first funding round of 2006 were announced recently and two VT applications were funded. VT Small Business Development Corporation will receive \$750,000 in additional capital and VT Community Loan Fund will receive \$500,000. Both organizations are long time, successful IRP borrowers and we are pleased to be able to provide additional capital. The complete list of funded applications can be found at:

<http://www.rurdev.usda.gov/rd/newsroom/2006/BDARRecipients1.pdf>

LOANS TO MILITARY PERSONNEL

While it has never been “emphasized”, the IRP program has always prohibited loans (from initial or revolved funds) to military personnel. This included individuals in the Reserve and National Guard. We were recently asked by NCIC if they could “target” an existing IRP fund for loans to soldiers returning from Iraq that are starting businesses. With the restriction in the regulation, we couldn’t formally approve their proposal, however, a formal request was made to the agency Administrator in Washington. Quick (for the government!) action was taken and a guidance letter was issued on December 23 clarifying that military personnel only included those on “active duty in the regular service”. Further, if an active duty soldier will be released from duty within 6 months, they may be considered eligible.

RENEWABLE ENERGY/ENERGY EFFICIENCY GRANTS FOR FARMS AND SMALL BUSINESSES

If you are working with an “SBA defined” small business (or farm) that is contemplating a renewable energy system (biomass, solar, wind, etc.) or energy efficiency improvements, RD may be able to provide a **25% grant** or an **85% loan guarantee** toward the cost of the system/improvements. Coupled with other incentives (such as efficiency rebates), this can make projects extremely cost effective for businesses. For more information or to refer businesses to the program, contact [Lyn Millhiser](#) at 802-828-6069.

COMMERCIAL LOAN GUARANTEE PROGRAMS

Don’t forget when assisting businesses with a financing package that RD has a loan guarantee program. If the business you are working with has a financing need that exceeds the SBA limits or is otherwise not eligible for SBA programs, our B&I guarantee program may be an option. We also have commercial guarantee programs for non-profit community organizations and multi-family housing. We are always happy to make presentations to lenders on these programs and welcome referrals of specific projects or lenders we should contact.

FREQUENTLY ASKED QUESTIONS

Question: *How long can we hold funds received from RD before closing the loan to our ultimate recipient?*

Answer: RD funds must be disbursed to the business within 30 days of receipt by the intermediary.

Question: *Do we need a bank rejection letter to meet the requirement that the Intermediary determine the business cannot obtain credit elsewhere?*

Answer: While a bank letter either rejecting the business or outlining the limits of what they will finance can be an excellent way to document availability of credit, it is certainly not required. Documentation can be as simple as a brief discussion in your credit analysis or a reference in your credit analysis to any bank letters you may have. The key is that a determination be made *by you*.

Question: *Is there a reference or guide we can refer our auditors to for RD audit requirements?*

Answer: Yes. There is an RD Audit Guide and it was recently updated. It is accessible from our web site at:

<http://www.rurdev.usda.gov/rd/auditprogram.pdf>

Question: *If we receive a new IRP loan, what is the processing for closing and drawing the funds?*

Answer: You must have met all of the conditions of loan approval (which includes raising any proposed cash contribution to the fund). In addition, a recent change in the program requires that some amount of the loan be drawn at closing. This can be to fund an approved ultimate recipient or be the up to 25% draw that is initially allowed without identified recipients.

Question: *If we have more than one IRP loan, can we combine them into one IRP loan fund?*

Answer: While we have allowed this in the past, due to requirements associated with the Government Performance Act, we now are required to track program impacts by “funding year”. This requires funds to be accounted for separately. We have asked Washington to reconsider this change.



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